

Resolution No.:	18-942
Introduced:	October 10, 2017
Adopted:	October 17, 2017

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: Councilmember Elrich
Co-Sponsors: Council President Roger Berliner, Councilmembers Tom Hucker, Sidney Katz
and Nancy Navarro

SUBJECT: Opposition to the proposed merger of WGL Holdings, Inc. and AltaGas, LTD

Background

1. Washington Gas, a natural gas distribution company operating in the State and in Montgomery County, is a wholly-owned subsidiary of WGL. The Maryland Public Service Commission (PSC) is currently reviewing a request to approve of a proposed merger between AltaGas LTD and WGL Holdings, Inc. in Case No. 9449. If the PSC approves the merger, Washington Gas, a public service company operating in Maryland, would become part of the family of AltaGas distribution utilities.
2. Testimony from the staff of the PSC, the Office of the People’s Counsel and the Apartment and Office Building Association of Metropolitan Washington (AOBA) lay out reasons why this proposed merger does not serve the public interest.
3. Howard E. Lubow, testifying on behalf of the PSC staff stated, “It is my opinion that the acquisition of WGL, and specifically the Washington Gas utility properties, is not consistent with the public interest, convenience and necessity, including benefits and no harms to consumers. As such, it is my recommendation that the Commission deny the proposed merger as proposed by the Applicants.” (Prepared Direct Panel Testimony of Howard E. Lubow and Patrick D. Duffy, on behalf of the Staff of the Maryland Public Service Commission, August 15, 2017, pg. 4)
4. Mr. Lubow further testified that “no set of additional commitments or conditions will negate the current and predictable harms that this transaction will impose on Washington Gas customers and the State of Maryland.” (Prepared Direct Panel Testimony of Howard E. Lubow and Patrick D. Duffy, on behalf of the Staff of the Maryland Public Service Commission, August 15, 2017, pg. 5)
5. Ralph C. Smith, CPA, testifying on behalf of the Office of the People’s Counsel explained the many problems and risks of this proposed merger as follows:
“Affiliation with AltaGas presents increased risks to Washington Gas in terms of credit rating downgrades, higher financing costs, a more complex organizational structure,

several entities above Washington Gas that could issue additional debt, and a wider array of affiliates that would be allocating and charging cost to Washington Gas whose accounting records are not maintained with the Washington Gas service area. AltaGas has a weaker balance sheet and lower credit ratings than WGLH's or Washington Gas, and being a Canadian company has exposure to currency exchange risk. Affiliation with AltaGas presents additional risks that are not currently risks faced by Washington Gas." (Direct Testimony of Ralph C. Smith, CPA, on behalf of Maryland Office of People's Counsel, August 14, 2017, pg. 155)

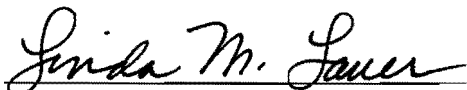
6. Bruce R. Oliver, testifying on behalf of AOBA also concluded that there are no adjustments that can be made to the proposed merger to make it worthwhile. Mr. Oliver stated: "In some merger proceedings, the presumption going-in is that weaknesses in the filed merger proposal can be resolved, or substantially offset, by obtaining an improved sharing of merger benefits for the utility ratepayers or other constituencies. This merger does not fall into that category." (Direct Testimony of AOBA Witness Bruce R. Oliver, August 14, 2017, pg 37)

Action

The County Council for Montgomery County, Maryland approves the following resolution:

The County Council requests the Public Service Commission to reject the proposed merger.

This is a correct copy of Council action.



Linda M. Lauer, Clerk of the Council